

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FEA-01 PA-01 PRS-01 /091 W

----- 102649

R 120409Z MAR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2961

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: ENRG, RP

SUBJECT: MARCOS ANNOUNCES PHILIPPINES OIL DISCOVERY

REF: MANILA 2615

1. PRESIDENT MARCOS ANNOUNCED YESTERDAY MARCH 11 THAT OIL IS FLOWING FROM NIDO 1 WELL AT CITIES SERVICE DRILL-SITE OFF-SHORE NORTH-WEST OF PALAWAN ISLAND IN THE SOUTH-WEST OF THE REPUBLIC OF THE PHILIPPINES.

2. FULL DRILLING DEPTH OF JUST OVER 9,000 FEET WAS REACHED EARLY THIS WEEK, AND VERY ENCOURAGING ELECTRONIC LOGS WERE RUN. PRESIDENT MARCOS, IN A REVISED ANNOUNCEMENT SAID THAT OIL FLOWED OUT OVER THE SURFACE OF THE SEA SHORTLY AFTER PRODUCTION TESTS BEGAN YESTERDAY MORNING. MARCOS SENT DEFENSE SECRETARY ENRILE AND PNOC CHAIRMAN VELASCO TO THE SITE TO CONFIRM THE FIND, AND INVITED TWO EXPERTS FROM INDONESIA'S PERTAMINA TO GIVE INDEPENDENT OPINIONS

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ON THE DISCOVERY.

3. PRODUCTION CAPACITY AND COMMERCIAL VALUE HAVE YET TO BE DETERMINED. FURTHER DETAILS ARE EXPECTED AS PRODUCTION TESTS CONTINUE. TWO DIFFERENT KNOWLEDGEABLE TECHNICAL SOURCES SAID THEY WOULD BE SURPRISED IF THIS DISCOVERY DEVELOPED INTO A SIZEABLE FIND BECAUSE THE AREA BEING DRILLED IS A SMALL FRACTURED LIMESTONE STRUCTURE AND THE ZONE OF INTEREST IS COMPARATIVELY SHALLOW (60 FEET).

4. HOWEVER, ANY CONFIRMED FIND IS GOOD NEWS FOR THE PHILIPPINES AND IS CERTAIN TO GENERATE MORE FOREIGN RISK CAPITAL FOR FURTHER EXPLORATION. GERARDO SICAT, DIRECTOR GENERAL OF NEDA HAS ALREADY CAUTIONED THAT THIS FIND, EVEN IF PROVEN TO HAVE COMMERCIAL VALUE, WILL NOT AFFECT THE PHILIPPINE BOP SITUATION FOR ABOUT FOUR YEARS, THE TIME NECESSARY TO DEVELOP AN OFF-SHORE OIL FIELD, AND WILL REQUIRE A GREAT DEAL OF ADDITIONAL INVESTMENT. THE NEWS HAS GENERATED A GREAT DEAL OF EXCITEMENT LOCALLY, AND WILL CERTAINLY BE USED BY MARCOS TO HIS POLITICAL ADVANTAGE, GOOD NEWS ECONOMICALLY BEING IN SHORT SUPPLY AT THE MOMENT. THE SUPERFLUOUS PERTAMINA EXPERTS CALLED IN BY MARCOS ARE PRESUMABLY ALSO TO TAKE THE MESSAGE BACK TO JAKARTA THAT THE PHILIPPINES MAY NOT NECESSARILY BE NEGOTIATING FROM A POSITION OF DEPENDENCY ON ENERGY IN THE ON-GOING ASEAN TALKS. SULLIVAN

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